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瑞港建設控股有限公司
PROSPER CONSTRUCTION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6816)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	<i>Note</i>	Unaudited	
		Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
Revenue	5	365,736	334,483
Cost of sales		(316,838)	(276,916)
Gross profit		48,898	57,567
Other income and gain, net		63	(249)
Professional fees incurred for initial public offering		–	(9,984)
Other administrative expenses		(12,394)	(9,768)
Operating profit		36,567	37,566
Finance income		346	215
Finance costs		(2,097)	(1,036)
Finance costs, net		(1,751)	(821)
Profit before income tax		34,816	36,745
Income tax expense	6	(4,366)	(9,177)
Profit for the period		30,450	27,568
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising from translation of foreign operations		2,241	–
Other comprehensive income for the period		2,241	–
Profit and total comprehensive income attributable to equity holders of the Company		32,691	27,568
Basic and diluted earnings per share (HK cents)	8	3.81	4.66

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	<i>Note</i>	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
ASSETS			
Non-current assets			
Plant and equipment	9	170,677	156,927
Investment in a joint venture		–	294
Deposits		<u>7,635</u>	<u>17,276</u>
		<u>178,312</u>	<u>174,497</u>
Current assets			
Trade and retention receivables	10	255,139	183,494
Deposits, prepayments and other receivables	10	36,191	3,712
Amounts due from customers for contract work		82,021	84,466
Amounts due from related companies		10	–
Income tax recoverable		1,652	1,652
Time deposits with maturity over 3 months		5,572	9,942
Pledged bank deposits		13,400	21,031
Cash and cash equivalents		<u>210,241</u>	<u>220,157</u>
		<u>604,226</u>	<u>524,454</u>
Total assets		<u>782,538</u>	<u>698,951</u>
EQUITY			
Capital and reserves			
Share capital	11	8,000	8,000
Reserves		<u>464,814</u>	<u>456,123</u>
Total equity		<u>472,814</u>	<u>464,123</u>

	<i>Note</i>	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings		5,878	16,952
Deferred income tax liabilities		9,402	9,402
		<u>15,280</u>	<u>26,354</u>
Current liabilities			
Trade and retention payables	12	56,379	43,481
Accruals and other payables	12	4,415	6,713
Receipt in advance	12	6,922	84,592
Amounts due to customers for contract work		107,674	10,054
Amount due to a joint venture		–	500
Amounts due to the other partners of joint operations		2,298	9,555
Amount due to a related company		945	1,647
Dividend payable		2,707	–
Borrowings		108,939	51,234
Income tax payable		4,165	698
		<u>294,444</u>	<u>208,474</u>
Total liabilities		<u>309,724</u>	<u>234,828</u>
Total equity and liabilities		<u>782,538</u>	<u>698,951</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Exchange reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2016	–	–	23,104	–	148,730	171,834
Comprehensive income						
Profit for the period	–	–	–	–	27,568	27,568
Contribution by and distribution to owner						
Issuance of shares	–	36,000	–	–	–	36,000
At 30 June 2016 (unaudited)	<u>–</u>	<u>36,000</u>	<u>23,104</u>	<u>–</u>	<u>176,298</u>	<u>235,402</u>
At 1 January 2017	8,000	214,840	23,104	–	218,179	464,123
Comprehensive income						
Profit for the period	–	–	–	–	30,450	30,450
Other comprehensive income						
Exchange differences arising from translation of foreign operations	–	–	–	2,241	–	2,241
Contribution by and distribution to owner						
Dividends declared (Note 7)	–	–	–	–	(24,000)	(24,000)
At 30 June 2017 (unaudited)	<u>8,000</u>	<u>214,840</u>	<u>23,104</u>	<u>2,241</u>	<u>224,629</u>	<u>472,814</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Cash flows from operating activities		
Net cash used in operations	(25,281)	(19,855)
Interest received	346	215
Interest paid	(2,097)	(1,036)
Income tax paid	(899)	(6,458)
	<hr/>	<hr/>
Net cash used in operating activities	(27,931)	(27,134)
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of plant and equipment	(20,154)	(1,238)
Proceeds from disposal of plant and equipment	3	–
Decrease in time deposits with maturity over 3 months	4,370	6,618
Decrease/(increase) in pledged bank deposits	7,631	(23,596)
	<hr/>	<hr/>
Net cash used in investing activities	(8,150)	(18,216)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from borrowings	69,709	66,431
Repayments of borrowings	(23,078)	(17,567)
Proceeds from issuance of shares	–	36,000
Dividend paid	(21,293)	(61,477)
	<hr/>	<hr/>
Net cash generated from financing activities	25,338	23,387
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(10,743)	(21,963)
Cash and cash equivalents at beginning of the period	220,157	82,834
Effect of foreign exchange rate changes	827	–
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	210,241	60,871
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

General information

The Company was incorporated in the Cayman Islands on 6 October 2015 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries provide marine construction services, lease and trade of vessels.

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$") unless otherwise stated.

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2017 has not been audited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2016 ("2016 Financial Statements").

2.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the 2016 Financial Statements, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The preparation of this condensed consolidated interim financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial information, are disclosed in note 4 below.

(a) *Adoption of new or revised HKFRSs effective on 1 January 2017*

The following amendments to HKFRSs that are first effective for the current accounting period and relevant to the Group:

HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 12 (Amendment)	Income taxes
HKFRSs (Amendment)	Annual improvements 2014 – 2016 cycle

The adoption of these new standards and amendments to existing standards does not have any significant impact to the results and financial position of the Group's condensed consolidated interim financial information.

(b) *New or revised HKFRSs that have been issued but are not yet effective*

The following are standards and amendments to existing standards that have been published and are relevant, but have not been early adopted by the Group.

HKFRS 9 (Amendment)	Financial Instruments ⁽¹⁾
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture ⁽³⁾
HKFRS 15	Revenue from Contracts with Customers ⁽¹⁾
HKFRS 15 (Amendment)	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ⁽¹⁾
HKFRS 16	Leases ⁽²⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1 January 2018.

⁽²⁾ Effective for the Group for annual period beginning on 1 January 2019.

⁽³⁾ Effective date to be determined.

Management is in the process of making an assessment on the impact of these new and revised standards, amendments or interpretations but is not yet in a position to determine whether they will have a significant impact on the Group's results of operations and financial position.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2016 Financial Statements.

There have been no changes in the risk management or any risk management policies since the year end.

3.2 Fair value estimation

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, pledged bank deposits, time deposits, trade and retention receivables, deposits and other receivables, amounts due from related companies, and trade and retention payables, other payables, amount due to a joint venture, amount due to a joint operation, amount due to a related company and borrowings approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the critical accounting estimates and judgements applied were consistent with those described in the 2016 Financial Statements.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Unaudited Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Rendering of services		
– Marine construction works	359,782	327,709
– Leasing of vessels	5,954	6,774
	<u>365,736</u>	<u>334,483</u>

(b) Segment information

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors regard the Group's business as three operating segments of Marine construction works, Leasing of vessels and Trading of vessels. They review financial information accordingly.

Segment revenue is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

Segment assets mainly consist of current assets and non-current assets as disclosed in the condensed consolidated balance sheet except for unallocated cash and bank balances, income tax recoverable, and certain amounts due from related parties.

Segment liabilities mainly consist of current liabilities and non-current liabilities as disclosed in the condensed consolidated balance sheet except for income tax payable, deferred tax liabilities, borrowings, dividend payable and certain amounts due to related parties.

Profit or loss

	Marine construction works <i>HK\$'000</i>	Leasing of vessels <i>HK\$'000</i>	Trading of vessels <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 June 2017				
(unaudited)				
Segment results	43,346	447	–	43,793
Unallocated expenses				(4,780)
Depreciation				(2,100)
Finance costs, net				(2,097)
Profit before income tax				34,816
Income tax expense				(4,366)
Profit for the period				<u>30,450</u>
Included in segment results are:				
Depreciation	(4,651)	(1,283)	–	(5,934)
Finance income/(costs), net	335	(26)	–	309
For the six months ended 30 June 2016				
(unaudited)				
Segment results	52,065	5,502	–	57,567
Unallocated expenses				(19,627)
Depreciation				(159)
Finance income, net				(1,036)
Profit before income tax				36,745
Income tax expense				(9,177)
Profit for the period				<u>27,568</u>
Included in segment results are:				
Depreciation	(3,695)	–	–	(3,695)
Finance income, net	215	–	–	215

Assets

	Marine construction works <i>HK\$'000</i>	Leasing of vessels <i>HK\$'000</i>	Trading of vessels <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2017 (unaudited)				
Segment assets	514,158	606	–	514,764
Unallocated assets				<u>267,774</u>
Total assets				<u><u>782,538</u></u>
Additions to non-current assets	<u>19,747</u>	<u>–</u>	<u>–</u>	<u>19,747</u>
At 31 December 2016 (audited)				
Segment assets	429,020	12,271	–	441,291
Unallocated assets				<u>257,660</u>
Total assets				<u><u>698,951</u></u>
Investment in a joint venture	<u>294</u>	<u>–</u>	<u>–</u>	<u>294</u>
Additions to non-current assets	<u>67,673</u>	<u>–</u>	<u>–</u>	<u>67,673</u>

The information provided to chief operating decision maker with respect to total assets are measured in a manner consistent with that of the condensed consolidated interim financial information. These assets are allocated based on the operations of the segment.

Liabilities

	Marine construction works	Leasing of vessels	Trading of vessels	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 30 June 2017 (unaudited)				
Segment liabilities	174,218	–	–	174,218
Dividend payable				2,707
Borrowings				114,817
Income tax payable				4,165
Deferred tax liabilities				9,402
Unallocated liabilities				4,415
				<hr/>
Total liabilities				309,724
				<hr/> <hr/>
At 31 December 2016 (audited)				
Segment liabilities	150,242	–	–	150,242
Borrowings				68,186
Income tax payable				698
Deferred tax liabilities				9,402
Unallocated liabilities				6,300
				<hr/>
Total liabilities				234,828
				<hr/> <hr/>

The Group's revenue from external customers attributable to the countries from which the Group derives revenue and information about its non-current assets excluding financial instruments and deferred income tax assets, located in the country of domicile are detailed below:

Revenue from external customers

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	47,455	33,259
Indonesia	78,788	209,118
Macao	233,522	92,106
Malaysia	5,971	–
	<hr/>	<hr/>
	365,736	334,483
	<hr/> <hr/>	<hr/> <hr/>

Non-current assets

(i) Based on countries of domicile of companies holding the assets:

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Hong Kong	152,631	152,815
Indonesia	13,725	973
Macao	4,321	3,433
	<u>170,677</u>	<u>157,221</u>

During the six months ended 30 June 2017 and 2016, the machinery, equipment and vessels of the Group were owned by Hong Kong River Engineering Company Limited, Creator Pacific Limited, PT. Indonesia River Engineering and Hong Kong River (Macao) Engineering Company Limited. The countries of domicile of the companies holding the assets are Hong Kong, Indonesia and Macao, respectively.

(ii) Based on physical location of the assets:

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Hong Kong	118,794	147,386
Indonesia	13,725	973
Macao	10,028	8,862
Malaysia	28,130	–
	<u>170,677</u>	<u>157,221</u>

6 INCOME TAX EXPENSE

The amount of income tax charged to the condensed consolidated statement of comprehensive income represents:

	Unaudited Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Hong Kong profits tax		
Current income tax	–	944
Indonesia income tax		
Withholding income tax	2,302	6,458
Interest income tax	1	1
Macao complementary income tax		
Current income tax	1,929	1,774
Malaysia corporate income tax		
Current income tax	134	–
	<u>4,366</u>	<u>9,177</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2017 and 2016.

Macao complementary income tax has been provided at the rate of 12% on the estimated assessable profit for the six months ended 30 June 2017 and 2016.

Indonesia income tax is charged through a system of withholding taxes. Companies are required to withhold final income tax for construction works performance and interest income from bank deposits. The income tax has been provided at the rate of 3% of the construction income and 20% of the interest income from bank deposits for the six months ended 30 June 2017 and 2016.

Malaysia corporate income tax has been provided at the rate of 24% on the estimated taxable income.

7 DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2017 and 2016.

The final dividend for the year ended 31 December 2016 has been approved by shareholders at the Company's annual general meeting and the payment for which has been despatched on 30 June 2017 (2016: nil).

8 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective periods. The weighted average number of ordinary shares used for such purpose for the six months ended 30 June 2016 has been retrospectively adjusted for the effects of the issue of shares in connection with the reorganisation completed on 22 January 2016 and the capitalisation issue of ordinary shares which took place on 20 July 2016.

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the six months ended 30 June 2017 of 800,000,000 shares includes the number of shares issued pursuant to the share offer of 200,000,000 shares which took place on 20 July 2016.

	Unaudited	
	Six months ended 30 June	
	2017	2016
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	30,450	27,568
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	800,000	591,346
Basic earnings per share (<i>HK cents</i>)	3.81	4.66

(b) Diluted

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding at the period end.

9 PLANT AND EQUIPMENT

	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Machinery and equipment <i>HK\$'000</i>	Vessels <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2017						
(unaudited)						
Opening net book amount	–	237	34,962	120,799	929	156,927
Additions	–	71	2,783	16,964	336	20,154
Depreciation	–	(96)	(2,333)	(3,818)	(234)	(6,481)
Exchange differences	–	–	40	63	(26)	77
Closing net book amount	–	212	35,452	134,008	1,005	170,677
Six months ended 30 June 2016						
(unaudited)						
Opening net book amount	27	305	15,865	80,831	553	97,581
Additions	–	18	1,137	–	83	1,238
Depreciation	(14)	(78)	(1,160)	(2,471)	(131)	(3,854)
Closing net book amount	13	245	15,842	78,360	505	94,965

10 TRADE AND RETENTION RECEIVABLES, AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Unaudited 30 June 2017 <i>HK\$'000</i>	Audited 31 December 2016 <i>HK\$'000</i>
Trade receivables	200,893	132,134
Retention receivables	<u>54,246</u>	<u>51,360</u>
Trade and retention receivables	<u>255,139</u>	<u>183,494</u>
Deposits and other receivables (note)	43,826	20,988
Less: non-current deposits	<u>(7,635)</u>	<u>(17,276)</u>
	<u>36,191</u>	<u>3,712</u>

Note: The balance mainly represents rental deposit, deposits for plant and equipment and other miscellaneous receivables.

The credit period granted to trade customers other than for retention receivables was within 30 days. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

The ageing analysis of the trade receivables based on invoice date was as follows:

	Unaudited 30 June 2017 <i>HK\$'000</i>	Audited 31 December 2016 <i>HK\$'000</i>
Current	60,166	111,840
1 to 30 days	8,331	10,990
31 to 60 days	9,586	1,221
61 to 90 days	–	–
91 to 180 days	8,349	–
181 to 365 days	97,290	4,723
More than 1 year	<u>17,171</u>	<u>3,360</u>
	<u>200,893</u>	<u>132,134</u>

Retention receivables were classified as current assets. The ageing of the retention receivables based on invoice date was as follows:

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Within 1 year	10,365	15,741
Between 1 and 5 years	40,547	35,619
More than 5 years	3,334	–
	<u>54,246</u>	<u>51,360</u>

11 SHARE CAPITAL

The Company's share capital as at 30 June 2017 and 31 December 2016 was as follows:

	Number of shares	HK\$
Ordinary shares of HK\$0.01 each		
Authorised	<u>4,000,000,000</u>	<u>40,000,000</u>
Issued and fully paid	<u>800,000,000</u>	<u>8,000,000</u>

12 TRADE AND RETENTION PAYABLES, ACCRUALS AND OTHER PAYABLES

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Trade payables	50,995	38,564
Retention payables	5,384	4,917
Accruals and other payables (<i>note (i)</i>)	4,415	6,713
Receipt in advance (<i>note (ii)</i>)	6,922	84,592
	<u>67,716</u>	<u>134,786</u>

note i: The amounts mainly represent wages, legal and professional fees and transportation costs.

note ii: The Group received a receipt in advance from a customer in relation to a project which commences in 2017.

The credit period granted for trade payables and other payables was within 30 to 90 days.

The ageing analysis of the trade payables based on invoice date was as follows:

	Unaudited 30 June 2017 <i>HK\$'000</i>	Audited 31 December 2016 <i>HK\$'000</i>
Current	24,378	32,042
1 to 30 days	4,283	6,522
31 to 60 days	97	–
61 to 90 days	–	–
91 to 180 days	–	–
181 to 365 days	22,237	–
	<hr/> 50,995 <hr/>	<hr/> 38,564 <hr/>

In the interim condensed consolidated balance sheet, retention payables were classified as current liabilities. The ageing of the retention payables based on invoice date was as follows:

	Unaudited 30 June 2017 <i>HK\$'000</i>	Audited 31 December 2016 <i>HK\$'000</i>
Within 1 year	467	4,252
Between 1 year and 2 years	4,917	665
	<hr/> 5,384 <hr/>	<hr/> 4,917 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Directors”) of Prosper Construction Holdings Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2017 (the “Period”), together with the comparative figures for the corresponding period in 2016 (the “Previous Period”). This information should be read in conjunction with the annual report of the Company for the year ended 31 December 2016.

Business Review

During the Period, the Group derived the majority of its revenue from projects located in Macao; in particular, the electricity generation facility project awarded to the Group in December 2016 was the top revenue contributor for the Period. Revenue contribution from Indonesia declined as majority of projects in Indonesia was completed or near completion at end of year 2016. The Group was awarded a dredging works contract in Malaysia in May 2017 which, albeit did not contribute a significant revenue during the Period, represents a new source of revenue to the Group for the Period and year 2017.

A breakdown of the Group's revenue by geographic location and major projects for the Period is set out in the table below.

	Revenue recognised for the Period (HK\$ millions)	Contribution to total revenue	Current status
Macao			
EPC contract for an electricity generation facility	160.7	43.9%	Ongoing and expecting completion in fourth quarter of 2019.
Land reclamation	72.8	19.9%	Ongoing and expecting completion in fourth quarter of 2017.
	<u>233.5</u>	<u>63.9%</u>	
Indonesia			
Wharf construction and engineering for a cement grinding project	65.3	17.9%	Site works complete and in preparation of final account.
Others	13.5	3.6%	
	<u>78.8</u>	<u>21.5%</u>	
Malaysia			
Dredging works	6.0	1.6%	Ongoing and expecting completion in second quarter of 2018.
	<u>6.0</u>	<u>1.6%</u>	
Hong Kong			
Lam Tin-TKO bypass	31.5	8.6%	Ongoing and expecting completion in fourth quarter of 2018.
Others	15.9	4.4%	
	<u>47.4</u>	<u>13.0%</u>	
Total	<u><u>365.7</u></u>	<u><u>100.0%</u></u>	

Outlook and Prospects

The status of the Group's key projects on hand is as below.

	Location	Estimated remaining contract sum (HK\$ million)	Expected time of completion
Project(s) already contracted/commenced as at 30 June 2017			
EPC contract for an electricity generation facility	Macao	321.6	Q4 2019
Land reclamation	Macao	22.3	Q4 2017
Dredging works	Malaysia	58.9	Q2 2018
Kai Tak development – underground structure and excavation	Hong Kong	49.0	Q3 2018
Lam Tin-TKO bypass	Hong Kong	7.6	Q4 2018
Project(s) commencing or newly awarded after 30 June 2017			
Vessels leasing	Pakistan	331.3	Q2 2019

Subsequent to the end of the Period, the Group entered into two contracts for the leasing of vessels to a main contractor for use in its project in Pakistan, which is expected to provide a new and steady stream of revenue to the Group for the remaining part of the year 2017. The electricity generation facility project will Macao will remain a key revenue contributor for the second half of the year 2017.

Financial Review

Revenue

The Group recorded revenue of HK\$365.7 million for the Period, representing a growth of approximately 9.3% from the Previous Period. A breakdown of the Group's revenue from major projects and by geographic location is set out in the section headed "Business Review" above and in note 5 of the condensed consolidated interim financial information. The growth in revenue is mainly attributable the EPC contract for an electricity in Macao; revenue from Macao amounted to HK\$233.5 million (Previous Period: HK\$92.1 million), representing approximately 63.9% (Previous Period: 27.5%) of the Group's revenue for the Period. Revenue from Indonesia for the Period declined to HK\$78.8 million (Previous Period: HK\$209.1 million), which is approximately 21.5% (Previous Period: 62.5%) of the Group's revenue for the Period, such is due to the majority of projects in Indonesia was completed or near completion at end of year 2016.

Cost of sales and gross profit

The increase in cost of sales outweighed the revenue growth and the Group's gross profit decrease by approximately HK\$8.7 million or 15% to HK\$48.9 million for the Period, as compared to HK\$57.6 million for the Previous Period; the gross profit margin for the Period was approximately 13.4% (Previous Period: 17.2%). The decrease in gross profit and margin was attributable to the change in the mix of the Group's projects during the Period. While profit margin may varied between different projects, the Group's projects in Indonesia generally would yield higher profit margin than those in Hong Kong and Macao due to less intense competition and higher level of contingencies allowed by customer. As the Group's revenue from Indonesia reduced substantially during the Period, the Group's overall gross profit margin also declined; such fluctuation was not unusual in the industry in which the Group operates. Despite the drop in gross profit margin for the Period, the profitability of projects undertaken by Group remained satisfactory and the Group had not experienced any loss-making projects during the Period and there is presently no indication as to any projects will become loss-making.

Other administrative expenses

Other administrative expenses increased to by approximately HK\$2.6 million, which is mainly attributable to the increase in staff cost and office overhead to cope with business expansion, professional fees incurred for compliance related matters and increase in directors' remuneration following the listing of the Company's shares (the "Listing") on The Stock Exchange of Hong Kong Limited in July 2016.

Income tax expense

The Group's revenue generated from Indonesia is subject to Indonesia corporate income tax, which is charged as a percentage of income earned before deduction of expenditures; whereas revenue generated from Hong Kong and Macao is subject to Hong Kong profits tax and Macao complementary income tax, respectively, on assessable profits, that is, income net of deductible expenditures incurred. The decrease in income tax expense for the Period was due to (i) the decrease in profit before income tax for the Period; and (ii) majority of the Group's income for the Period was derived from Macao, the tax rate on which is generally substantially lower income from Indonesia.

Profit for the Period

The Group's profit from core operation on a normalised basis is as below.

	Six months ended 30 June	
	2017	2016
	HK\$'M	HK\$'M
Profit before income tax	34.8	36.7
Add: non-recurring expenses for the Listing	–	10.0
Profit before income tax on normalised basis	34.8	46.7
Income tax expense	(4.4)	(9.2)
Profit for six months ended on normalised basis	30.4	37.5

The Group's profit for the Period on a normalised basis was \$30.4 million, representing a decrease HK\$7.1 million from the Previous Period; such was mainly due to the combined effect of (i) the HK\$8.7 million decrease in gross profit; (ii) the HK\$2.6 million increase in other administrative expenses; and (iii) the HK\$4.8 million decrease in income tax expense.

Plant and equipment

The Group acquired 5 units of vessels and 9 units of machinery and equipment for a total of HK\$19.7 million during the Period to facilitate its new project in Macao and other potential projects. As at 30 June 2017, the Group owned a total of 42 units of construction vessels and 85 units of machinery and equipment.

Trade and retention receivables

The Group's trade and retention receivables increase by approximately HK\$71.6 million to HK\$255.1 million as at 30 June 2017, which mainly comprised of receivables for works on projects already completed and pending settlement of final account. The increase in trade and retention receivables balances during the Period was attributable to the completion of the relatively sizeable cement grinding project in Indonesia. It is not unusual for project final account to take up to one year or more for settlement in the industry; there is presently no indication of possible default on any of the Group's receivable balances.

Amounts due to customers for contract work

The Group's amounts due to customer for contract work increased to HK\$107.7 million as at 30 June 2017, which was mainly attributable to electricity generation facility project in Macao; the project yielded a relative high revenue for preliminary items, for which the associated costs would incur at a later stage and was accounted for as amounts due to customers for contract work.

Liquidity, financial resources an capital structure

The Group maintained a healthy liquidity position with net current asset balance and net cash position of approximately HK\$309.8 million (31 December 2016: HK\$316.0 million) and HK\$95.4 million (31 December 2016: HK\$152.0 million) respectively as at 30 June 2017. The Group's gearing ratio (calculating by dividing total debts by total equity) as at 30 June 2017 was 24.3% (31 December 2016: 14.7%); the rise gearing during the Period was due to the (i) distribution of a final dividend for 2016 financial year; (ii) acquisition of vessels, machinery and equipment during the Period; and (iii) drawdown of additional bank borrowings to facilitate business expansion in general.

Foreign exchange

Operations of the Group are mainly conducted in Hong Kong dollars ("HK\$"), United States dollars ("US\$"), Macao Patacas ("MOP") (together, the "Major Currencies"), and Indonesian Rupiahs ("IDR"). The Group did not adopt any hedging policy and the Directors consider that the exposure to foreign exchange risks can be mitigated by using the Major Currencies (i) as principal currencies in the Group's contracts with customers and (ii) to settle payments with our suppliers and operating expenses where possible. In the event that settlement from the Group's customer are received in IDR or a currency other than the Major Currencies, such currency will be retained for payment of operating expenditures only as required and the remaining foreign currency will be converted to HK\$ or US\$ promptly.

Employees and Remuneration Policies

The Group had 87 staff as at 30 June 2017 (31 December 2016: 114) and the total staff costs of the Group (including Directors' emoluments, salaries to staff, direct wages and other staff benefits included provident fund contributions and other staff benefits) for the Period was approximately HK\$20.6 million (Previous Period: HK\$16.7 million). The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group monitors the performance of individual employee on a continuous basis and rewards outstanding performance by salary revision, bonus and promotion as suited. The Group maintains a good relationship with its employees and has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

Capital Expenditures and Commitments

The Group generally finances its capital expenditures by cash flows generated from its operation and long-term bank borrowings. The net proceeds from the Listing provided an addition source of funds to meet the Group's capital expenditure plan, out of which a sum of HK\$147.2 was allocated for use in acquisition of vessels and equipment.

During the Period, the Group invested approximately HK\$20.2 million in the acquisition of plant and equipment, which comprised approximately HK\$17.0 million in vessels, approximately HK\$2.7 in machinery and equipment and approximately HK\$0.5 million in other assets. The Group's fleet of vessels for marine construction works grew by 5 units during the Period to a total of 42 units as at 30 June 2017, with order placed for a further 3 units of vessels which are yet to be delivered.

Use of Proceeds

The utilisation of net proceeds raised by the Group from the Listing up to 30 June 2017 is as below.

	Adjusted use of proceeds <i>HK\$ millions</i>	Utilised up to 31 December 2016 <i>HK\$ millions</i>	Utilised during the Period <i>HK\$ millions</i>	Unutilised as of 30 June 2017 <i>HK\$ millions</i>
Acquisition of vessels and equipment	147.2	80.7	19.7	46.8
General working capital	16.3	16.3	–	–
	163.5	97.0	19.7	46.8

During the Period, approximately HK\$19.7 million of net proceeds have been utilised to acquire 5 units of vessels for a total of HK\$17.0 million and various machinery and equipment of HK\$2.7 million.

The unutilised net proceeds have been placed with licensed banks in Hong Kong and will be applied in the manner consistent with the proposed allocations.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period.

Significant Investments Held

The Group had not held any significant investments during the Period.

Charges on Assets

As at 30 June 2017, plant and equipment with carrying value of (i) approximately HK\$14,451,000 (31 December 2016: HK\$15,179,000) were pledged to secure for the Group's bank borrowings and (ii) approximately HK\$22,983,000 (31 December 2016: HK\$23,840,000) were pledged as security for provision of performance bond and prepayment surety bond to the project owner in the Group's project in Macao.

Contingent Liabilities

As at 30 June 2017, the joint operations held by the Group have given guarantees on performance bonds in respect of construction contracts in the ordinary course of business, and the amounts shared by the Group were of HK\$24,834,000 (31 December 2016: HK\$67,889,000). As at 30 June 2017, the Group has not given any guarantees (31 December 2016: HK\$10,680,000) on performance bonds in relation to construction contracts of the Group in the ordinary course of business. Save for the guarantee given on these performance bonds, the Group has no material contingent liabilities.

Events After End of the Period

No event has occurred after 30 June 2017 and up to the date of this report which would have a material effect on the Group.

Share Option Scheme

The Company adopted a share option scheme on 22 June 2016 to enable the Company to grant options to eligible participants as incentives and rewards for their contribution to the Group. No options have been granted, exercised or cancelled since then and up to 30 June 2017.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the Period.

Corporate governance practices

The Company has adopted the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules ("CG Code") has complied with the code provisions throughout the Period, except in relation to CG Code provision A.2.1 where the roles of the Group's chairman and chief executive officer ("CEO") are both performed by Mr. Cui Qi. CG Code provision A.2.1 requires that the roles of chairman and CEO should be separate and should not be performed by the same individual. Please refer to the annual report of the Company for the year 2016 for nature of the non-compliance with CG Code provision A.2.1.

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") and all the Directors confirmed, upon specific enquiry made, that they complied with the Model Code during the Period and up to the date of this report.

Dividend

The Board takes into account the Group's overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Board does not recommend the payment of a dividend for the Period.

Audit Committee

The audit committee, comprising Mr. Cheung Chi Man Dennis (chairman of the audit committee), Mr. Ge Zhenming, Ms. Leung Sau Fan Sylvia and Mr. Leung Yee Tak, each an independent non-executive Director, has reviewed the accounting standards and policies adopted by the Group and the unaudited condensed consolidated financial information of the Group for the Period.

By order of the Board
Prosper Construction Holdings Limited
KUI Ching Wah
Joint Company Secretary

Hong Kong, 21 August 2017

As at the date of this announcement, the executive directors are Mr. CUI Qi (chairman of the Board), Mr. YU Ming, Ms. KUI Ching Wah and Mr. TAO Yang and the independent non-executive directors are Mr. CHEUNG Chi Man Dennis, Mr. GE Zhenming, Ms. LEUNG Sau Fan Sylvia and Mr. LEUNG Yee Tak.